



Richard Cluver Predicts

In our 23rd year of service to the investing public of South Africa



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I flew to Johannesburg yesterday in order to accompany my youngest child on her first drive home from university, and as always I was struck by both the extraordinary beauty of this country and its ability to green and flourish as soon as the rains come.

Just so with the wider world which, as I observed last week, has just been waiting for some good news in order to release its pent-up demand to get moving once more after the stagnation of four years of economic stagnation. Last week I noted how good statistics out of China sparked a worldwide market spurt, this week it was positive comment from the US about developments around the issue of the "Fiscal Cliff" which sparked another surge here and elsewhere taking the JSE Top 40 Index up one percent yesterday to a new all time high.

But what goes up must also come down, and so it was very likely as I penned this column that pessimism could re-assert itself today following comments a few hours ago from Republican speaker John Boehner who warned there had been "no substantive progress" in averting drastic tax hikes and spending cuts.

AP reports him as saying "I've got to tell you that I'm disappointed in where we are and disappointed in what's happened over the last couple of weeks," he said, urging the White House to "get serious" about cutting federal spending, including entitlements. Senate Majority Leader Harry Reid, shot back that Democrats have seen no "serious offer" from Republicans, who oppose raising tax rates and are divided about a quick agreement on keeping taxes low for middle-income families.

Democrats pushed through legislation in the Senate that would let the top tax rate rise from 35 percent to 39.6 percent while keeping middle-class rates unchanged, and have urged the Republican-controlled House to pass the bill. But Boehner has refused to bring it to the floor, despite some calls from within his party

Obama dispatched Tim Geithner to Capitol Hill to meet with congressional leaders but the move failed, at least publicly, to move the ball forward. "No substantive progress has been made in the talks between the White House and the House over the last two weeks," Boehner told reporters. If no deal is reached before year end, a 500-billion poison pill of tax hikes and massive spending cuts, including slashes to the military, comes into effect, with the potential to pitch the US economy back towards recession.

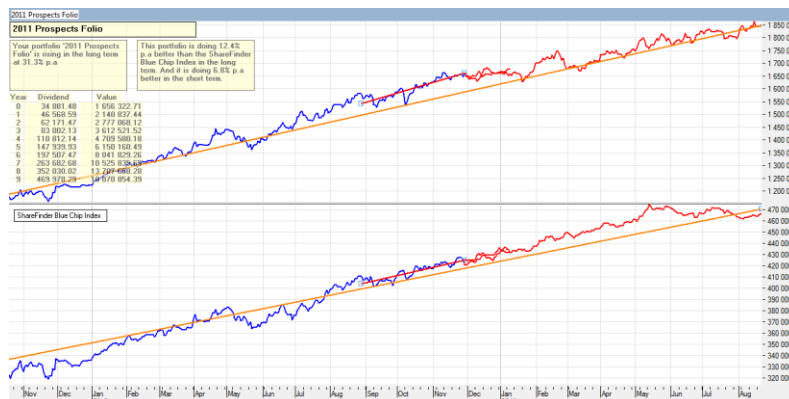
White House spokesman Jay Carney said Republicans "have yet to accept the essential fact that in order to achieve the kinds of revenue that are necessary for a ... balanced plan, rates on the top two percent, the wealthiest earners in this country, are going up. "They have to go up. The president will not sign any legislation that extends the Bush-era tax cuts for the top earners in this country." Senate Minority Leader Mitch McConnell, after his own Geithner meeting, said the White House "took a step backward, moving away from consensus and significantly closer to the cliff."

And so the investment world, as always, lurches back and forth as sentiment waxes and wanes offering alternatively good opportunities to buyers and sellers. Illustrating the point, since I was a seller last week offloading some of my Sasol holdings in which I was overweight, I welcomed the China news which made it possible to get my price. But now I am a buyer seeking to obtain

further BATS shares so I am hoping there will be additional "Fiscal Cliff" drama to sufficiently depress prices to meet my target. But overall it is obviously a one horse race because it is quite clear that US political parties WILL reach some kind of consensus.....because most realise that they will not be re-elected next time around if by their failure to do so they pitch the US and the rest of the world into economic chaos.

And once the Fiscal Cliff is behind us we can rest assured that some new crisis somewhere in the world will introduce new investment uncertainties and imponderables. Thus the short-term ebb and flow of market sentiment well serves astute investors.

Meanwhile, however, the underlying trend remains the same. Thus, for example, my Prospects sample portfolio via which I have tried to guide readers month by month, similarly has interim weaknesses and strengths but the underlying trend remains very positive and looks like remaining so well into the new year trending upwards at a scintillating 31.3% compound.



The month ahead:

New York's SP500: New York continued to surprise me this week by rising in the face of the unresolved Fiscal Cliff issue. But I still expect it to run out of steam from about December 4.

London's Footsie: I correctly predicted gains which I expect to continue until around December 10 before trending down once more.

JSE Industrial Index: I correctly predicted gains which I see continuing until until December 4.

Top40 Index: I correctly predicted a recovery, but going forward the indicators are in disagreement suggesting the possibility of a very short-term retraction within an overall rising market.

ShareFinder Blue Chip Index: I correctly predicted gains which I expect to continue for the foreseeable future.

The Rand: I correctly predicted that the rand would recover but expected it to begin later that it actually did. Now I see further gains until around December 11.

Golds: I correctly predicted a modest recovery which I expected to continue until the first week of December. Now I expect it to end on about December 4 within an overall upward trend that should last until Christmas.

Bonds: I wrongly predicted some modest gains until the end of the month. Now I foresee weakness until around December 10.

The Predicts accuracy rate on a running average basis over the past 458 weeks has been 81.38%.

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